

**MINUTES OF THE MEETING OF  
THE ADVISORY COMMITTEE OF THE  
LOCAL GOVERNMENT PROPERTY INSURANCE FUND**

**Tuesday, October 22, 2002**

PRESENT: Kevin Houlihan, Chair, City of Madison  
Vince Marchetti, Vice Chair, Town of Necedah  
Glinda Loving, 2<sup>nd</sup> Vice Chair, Milwaukee Metropolitan Sewage District  
Nicholas Alioto, Kenosha Unified School District #1  
Carole Charles, Outagamie County  
John Keller, School District of Howard/Suamico  
Don LaFontaine, City of Oshkosh  
Harold Reckelberg, Town of Luxemburg  
Jerry Runice, Berlin Area School District  
Doug Saubert, City of Whitewater  
Terry Siikarla, City of West Bend  
Barb Wegner, Dane County  
Eileen Mallow, Office of the Commissioner of Insurance  
Dan Bubolz, Office of the Commissioner of Insurance

GUESTS: Greg Grunow, The ASU Group  
Carrie Nash, The ASU Group  
April Zelinski, The ASU Group  
Dennis Tweedale, Devine & Tweedale  
Dave Marchant, Marchant Consulting

ABSENT: Lynn Davis, CESA #6  
Nick Evgenides, Brown County  
Connie Fisher, Chippewa County  
Julie Helt, Village of Waunakee  
John Rath, Milwaukee County  
Laura Stauffer, Waukesha County  
Patricia Stevens, Town of Grand Chute

Kevin Houlihan called the meeting to order at 9:08 a.m.

Kevin Houlihan welcomed attendees and introductions were made.

Upon a motion made by Carole Charles and seconded by John Keller, it was unanimously

RESOLVED, that the minutes of the Advisory Committee of April 16, 2002 are approved as presented.

Upon a motion made by Terry Sikaarla and seconded by Don LaFontaine, it was unanimously

RESOLVED, that the minutes of the Advisory Committee of August 20, 2002 are approved as presented.

Dan Bubolz presented the **Manager's Report**.

#### Reinsurance Renewal

The request for proposal was issued on October 9, 2002. A vendor meeting, if needed, is scheduled for October 29, 2002. So far, OCI has received confirmation that three vendors intend to respond to the proposal. Proposals are due on November 26, 2002, after which time the evaluation process will commence.

#### Rate Changes

Following the August 20, 2002 Advisory Committee, the Oversight Committee met and agreed with the recommendations of the Advisory Committee, but also requested that ISO multipliers be eliminated. ASU has calculated the rate changes for all policyholders, which is pending approval by OCI. It is hoped that January and February renewals will be sent by November 1, 2002.

April Zelinski and Dennis Tweedale, along with Greg Grunow and Carrie Bednarek, presented the **Administrator's Report**.

#### Claims

##### 1. Activity Report

April presented several charts and graphs explaining claims activity.

- a. Overview of claims activity for fiscal years 2000, 2001 and 2002. Claim counts for 2002 were 20% lower than in 2001, and the first quarter of FY 2003 is running well below prior years.
- b. However, claim severity for the first quarter of FY 2003 is at an all time high due to the catastrophic damage caused by the Labor Day tornadoes in northwestern Wisconsin. Average claim amounts for this same period are also distorted as a result of the severity of the damage.
- c. The total incurred by entity type almost directly correlates to the amount of coverage in force by entity type, therefore, is very appropriate in percentages to the whole.

## 2. Loss Control Information

April explained that ASU has been collecting data for the purpose of examining loss control strategies for Fund policyholders, and suggested that the Loss Control Committee may want to convene to discuss the information gathered to date and what action to recommend, if any, to the Advisory Committee.

## 3. Subrogation Statistics

Greg Grunow explained the information regarding Subrogation Potential for the period of January 1, 2002 through August 31, 2002. The potential for property recoveries is high (over \$3.4 million) due to a single loss of over \$1.2 million.

## 4. Tornado Update

Greg also provided the committee with an update regarding the Labor Day tornadoes. Currently reserves from this event are over \$5 million, with the possibility that reserves may need to be adjusted upward as final repair costs are determined.

## Policy Administration

### 1. Activity Report

Dennis Tweedale presented several charts and graphs explaining where the program is at as of September 30, 2002.

He pointed out that since our report at the end of March 2002, rate increases are taking hold. Each of the entity types has experienced an overall increase in rates except towns.

Carrie Bednarek reviewed the information regarding new business, cancelled policies and general work processed. As of 9/30/02, there are 1,194 policyholders.

Regarding insurance, premiums and policies in force, Dennis pointed out the respective increases in each – insurance in force has increased 56%; annual written premium has increased 53%; and, number of policies has only increased by 9%.

### 2. Loss Runs at Renewal

Carrie advised that ASU would send a five (5) year history summary loss run to each policyholder at renewal beginning with the January 2003 renewals.

### 3. Policyholder Survey Results

April presented the results of policyholder surveys that have been conducted since the process was instituted in June 2002. A total of 648 surveys have been mailed, with 328 returned, or just over 50% - an excellent return. More surveys have been sent regarding policy services than claim services due to the criteria established. Also, the language on the forms was slightly altered to clarify the reason the survey was being sent. Overall, response has been positive. Negative comments have been addressed directly with the policyholder where appropriate.

### 4. National Flood Insurance Program Pilot

April provided an update regarding this project. The training session was held in Maryland on September 23, 2002, and was attended by two ASU executives, Fred Haring and Anne Staples. A couple of issues remain to be resolved before the project can be moved forward, including a concern by all of the pilot participants regarding the lack of blanket coverage.

ASU will continue to work on the pilot with a target date of January 1, 2003 to have a firm recommendation to the Fund on how best to implement the program.

Dave Marchant presented the **Financial Report**. Dave commented that the report is a compilation, not an audit, and is performed under OCI accounting principals. He pointed out that surplus continued to decrease from FY 2001 to FY 2002 by approximately \$4 million. Fund operating expenses are running at about 11% compared to 20 to 25% for a private commercial carrier. Investment income has decreased due to the market, and will continue to decrease as surplus declines. Poor loss experience and reinsurers absorbing less risk are leading to greater underwriting losses.

Vince Marchetti provided a report on behalf of the **Claims & Policy Issues Sub-Committee**. At the request of the Oversight Committee, the sub-committee met via teleconference on October 10, 2002 for the purpose of discussing the issue of non-owned property. The sub-committee agreed that the topic needed to be brought back to the Advisory Committee for further discussion.

Upon a motion made by Nick Alioto and seconded by Glinda Loving, it was unanimously

RESOLVED, that the Advisory Committee recommends that, beginning with January 2003 renewals, policyholders will be asked to advise the Fund whether property is owned or non-owned as a part of the renewal process.

It was agreed that ASU would provide an analysis of information gathered to the sub-committee to formulate recommendations on what to do with this data, prior to the next Advisory Committee meeting.

April Zelinski presented information regarding a proposed **Organizational Structure** of the Advisory Committee. A list of sub-committees and their members formed by the Advisory Committee was provided. The suggested by-laws are based upon those for similar boards and committees for other public and private entities.

It was agreed that members would review the draft by-laws and send suggestions and comments to April, who will redraft the by-laws for the next Advisory Committee meeting.

Glinda Loving decided to postpone the topic of **American Appraisal Procedures Re: Insurable Values and Annual Updates**. She briefly explained that she had gotten inconsistent values through a private bid process with them from the values provided by them for her Statement of Values. She will work on this issue with the Fund and report to the Advisory Committee at the next meeting.

The **Next Meeting of the Advisory Committee** will be held on Wednesday, April 9, 2003 beginning at 9:00 a.m., at a location to be announced.

Upon a motion made by John Keller and seconded by Glinda Loving, it was unanimously

RESOLVED, that the meeting of the Advisory Committee is adjourned at 12:16 p.m.

Respectfully submitted,

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April Zelinski

Date

ATTEST:

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Kevin Houlihan, Chair

Date